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SUBJECT: 25TH HAVANA INTERNATIONAL TRADE FAIR

REF: A. 2006 HAVANA 23494

[1B.](#) 2006 HAVANA 23506

Classified By: COM: Michael E. Parmly: For reasons 1.4 b/d

[11.](#) (C) SUMMARY: The 25th Havana International Trade Fair (FIHAV-07) was held November 5-10 in Havana. This cable contrasts changes and new developments since last year. U.S. sales to Cuba have stagnated since last year and have dim prospects of improving. The Spanish government's policy of engagement with the GOC may have spurred renewed interest from Spanish businessmen. Increased Brazilian presence at the fair may parallel its government's new engagement efforts in Cuba. The absence of GDP growth projections at FIHAV-07 most likely means that official GDP growth for 2007 will be lower than last year's 12.5%. End Summary.

[12.](#) (U) The 25th Havana International Trade Fair (FIHAV-07) was held November 5-10 at ExpoCuba on the outskirts of the capital. Reftels provide a detailed description of last year's Fair (FIHAV-06) and of Cuba's trade partners showcased. Similar to last year, Cuban Vice President Carlos Lage inaugurated the event, this time accompanied by Panamanian counterpart Samuel Lewis.

U.S. - Cuba Trade

[13.](#) (SBU) According to local (official) press, there were "213 representatives from 100 U.S. companies." Although there are approximately 70 U.S. companies listed on the official FIHAV-07 guide, we saw less than 25 exhibit booths run by American companies or officials representing various U.S. state commercial delegations and port authorities. It is true, however, that some U.S. businessmen present at the fair represent multiple companies and their interests in Cuba. (Comment: While this would make the claim of 100 U.S. companies at least possible, it remains highly unlikely. With regard to the claim of there being 213 U.S. company representatives, perhaps on paper. We saw less than 50. End Comment.)

[14.](#) (SBU) A separate claim in the local press was that attendance by U.S. companies decreased by 30% since last year. Anecdotal accounts by U.S. company representatives at

the fair confirm our impressions that there was roughly the same number of U.S. companies as last year. The general sense was that 2006 was a flat year for U.S. sales to Cuba and that this year, as well as the first quarter of 2008, are also expected to end in stagnation. These shaky prospects may help explain why some U.S. delegations were more jittery than usual regarding contact with USINT. For instance, Econoff made repeated attempts to meet with Nebraska Governor Dave Heineman's delegation -- prior to and during his visit to Cuba -- only to receive polite deferrals in return. On November 5, his delegation signed agreements for the purchase of 25,000 tons of wheat, valued at USD 11 million, by Alimport (the state company in charge of importing food). Pedro Alvarez, head of Alimport, admitted in an interview that purchases from the U.S. were down at this year's fair. Predictably, he placed all blame on the U.S. embargo.

Trade Partners

¶5. (SBU) According to local press, there were approximately 1,425 companies at FIHAV-07, representing 53 countries. 428 of those firms are supposed to be Cuban, but many of them, particularly the most profitable, are actually joint ventures -- such as the rum Havana Club, prominently displayed at the "Cuba" pavilion. Cuba's main trade partners continue to be: Venezuela, China, Canada, Brazil, Spain, Italy, and Germany. All had major pavilions at FIHAV-07.

¶6. (SBU) Spain, the country with the largest representation at FIHAV-07, reportedly increased participation by 30% since last year. However, at a reception for Spanish businessmen at the Spanish Ambassador's residence, Spanish Commercial Attach Jose Luis Lancho told Econoff that this year there were 40% more Spanish companies than last year. (Comment:

HAVANA 00001070 002 OF 003

Either figure clearly reflects the Spanish business community's renewed interest in Cuba, most likely in light of the Spanish government's policy of engagement with the GOC and the potential it brings for increased trade credits for Spanish companies. End Comment.)

¶7. (U) Canada, with 60 companies, had the second largest representation at the fair. The GOC announced that the two countries signed agreements for the purchase of 150,000 tons of wheat and 3,500 tons of powdered milk. As expected, Venezuela had a large representation at the fair, although not as large as last year.

¶8. (C) Brazil is, after Venezuela and Canada, Cuba's largest hemispheric trade partner. At the end of the week, Brazil was named "best FIHAV-07 pavilion," for what was a much larger and sleeker presentation than last year. Brazilian Minister of Development, Industry and Trade Miguel Jorge, formally inaugurated the pavilion, highlighted the bilateral relationship with Cuba and thanked the GOC for sending to the Amazon 40 Cuban technical experts of various specialties. Sectors where both countries collaborate jointly include: Food production, biotechnology, light industry, health and petrochemicals. (Comment: Increased presence at the fair parallels new Brazilian engagement efforts in Cuba. Petrobras is reportedly interested in taking part in oil exploration in Cuba while the GOC recently announced that President Inacio Lula da Silva will visit the island. End Comment.)

¶9. (SBU) Other countries worth noting included: Turkey, Panama and Iran. Turkey's presence at the fair grew exponentially since last year, going from 5 to 21 companies and occupying its own pavilion. Similarly, the Panamanian delegation grew into its own pavilion this year and was led by Panamanian Vice President Samuel Lewis. Meanwhile, Iran maintained the same size presence as 2006, occupying only a portion of a pavilion and advertising the same areas: Transportation systems (trucks, buses, and rail cars) and

agricultural machinery.

Highlighting Trade "Success"

¶10. (U) Foreign Trade Minister Raul de la Nuez Ramirez made a speech at FIHAV-07 in which he gave a brief status report of Cuban trade. Last year, De la Nuez used the event to portray to the world an illusion of strong economic performance. During FIHAV-06, he announced GDP would grow by more than 10% by the end of the year (Note: The GOC subsequently announced 12.5% in December. End Note.). This year he said that, as of September, Cuba's trade in goods for the year totaled USD 10.8 billion, 12% more than during the same period in 2006, with a 44% increase in exports, and greater "geographic balance" in its transactions. But unlike last year, De la Nuez did not make any projections on GDP growth.

Comments:

¶11. (C) The absence of GDP growth projections at FIHAV-07 most likely mean that official GDP growth for 2007 will be lower than 12.5%. Cuban economists predicted as much at September's LASA conference in Montreal, saying that the "social GDP" valuation formula had its most dramatic effect during the first few years it was used (since 2004) and has mostly been absorbed. In other words, quantifying such services as free education or medical services, within Cuba or to Venezuela, have an impact on the figures but only on the first year in which they are included. After that they are absorbed into what becomes the new baseline for growth during follow-on years. This means that even though actual GDP growth in Cuba is always lower than the GOC claims, this year -- especially after extensive damage from Tropical Storm Noel -- even the rate claimed by the GOC could be lower.

¶12. (C) Greater "geographic balance" probably refers to trade growth during the past year with most trade partners,

HAVANA 00001070 003 OF 003

except the U.S. At the IberoAmerican Conference in Chile last week, Vice President Lage reportedly asked President Lula for higher quantities of food imports. While this is likely a sign of how desperate the situation in Oriente provinces could be, following the devastation left by T.S. Noel, it could also be an indicator that whenever Cuba needs to import more food, the country will increasingly go elsewhere -- while imports from the U.S. continue to stagnate.

¶13. (C) The increase in exports can mostly be attributed to nickel's record prices during the past year, in addition to moderate increases in exports of pharmaceuticals, medical equipment, and tobacco. Reducing the rate of growth of imports is significant as it could reflect some effects of the GOC's import-substitution policy as well as Raul Castro's call from last December, and again last July, to lower the country's growing dependence on imports. Nonetheless, Cuba will still end the year with a trade deficit of goods in the neighborhood of USD 6 billion. It must be noted that De la Nuez only spoke about trade in goods. The GOC famously makes up the trade gap with its surplus in services -- exaggerated valuations of mainly medical services to Venezuela and other countries. This year, the GOC finally may have run out of sectors to overvalue in calculating its GDP growth.

PARMLY